

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
1568 SCOMM 59: JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988

1365

The Alaska Development Board

The crying need, the missing element in Alaska's overall state spending and investment strategy, is an aggressive program to diversify the economy and replenish the sources of jobs and revenues now provided on the North Slope.

To begin to accomplish this end in a thoughtful but activist manner, the Legislature should create an Alaska Development Board similar in structure to the Permanent Fund board of trustees. The task of this new board would be to research, study feasibility, and recommend to the Legislature and the Governor major revenue-generating, in-state capital investments which can help diversify the economy into the next century.

Projects that would qualify would have to have an assured source of repayment; i. e., they must have the capacity to generate substantial revenues through tariffs, rents, and user fees. Examples include docks, railways, causeways, electrical generation units, water systems, and wastewater plants.

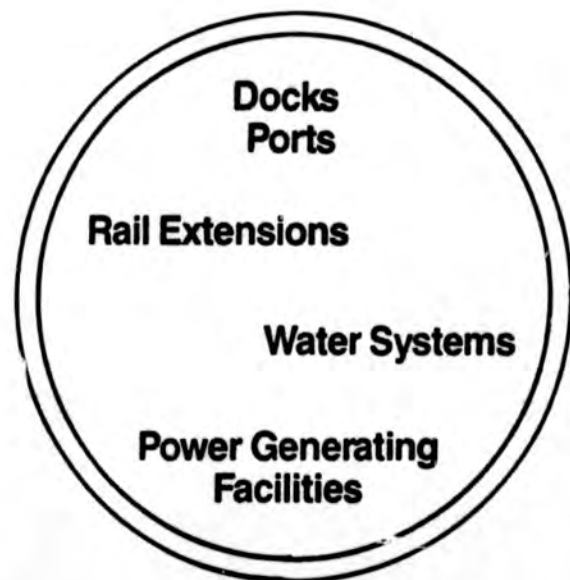
The infrastructure needed to attract one or more U.S. Navy vessels to homeport in Alaska is an excellent example. The Navy traditionally rents such facilities over a many year period.

Only revenue-generating projects would be considered.

It is vital that a distinction be drawn between capital projects, such as quality-of-life facilities (of which Anchorage's Project 80's is a prime example) and the kinds of revenue-generating projects that can pay their own operating and maintenance costs and return the original start-up investments to the state. It is only the latter which would be considered by the Alaska Development Board.

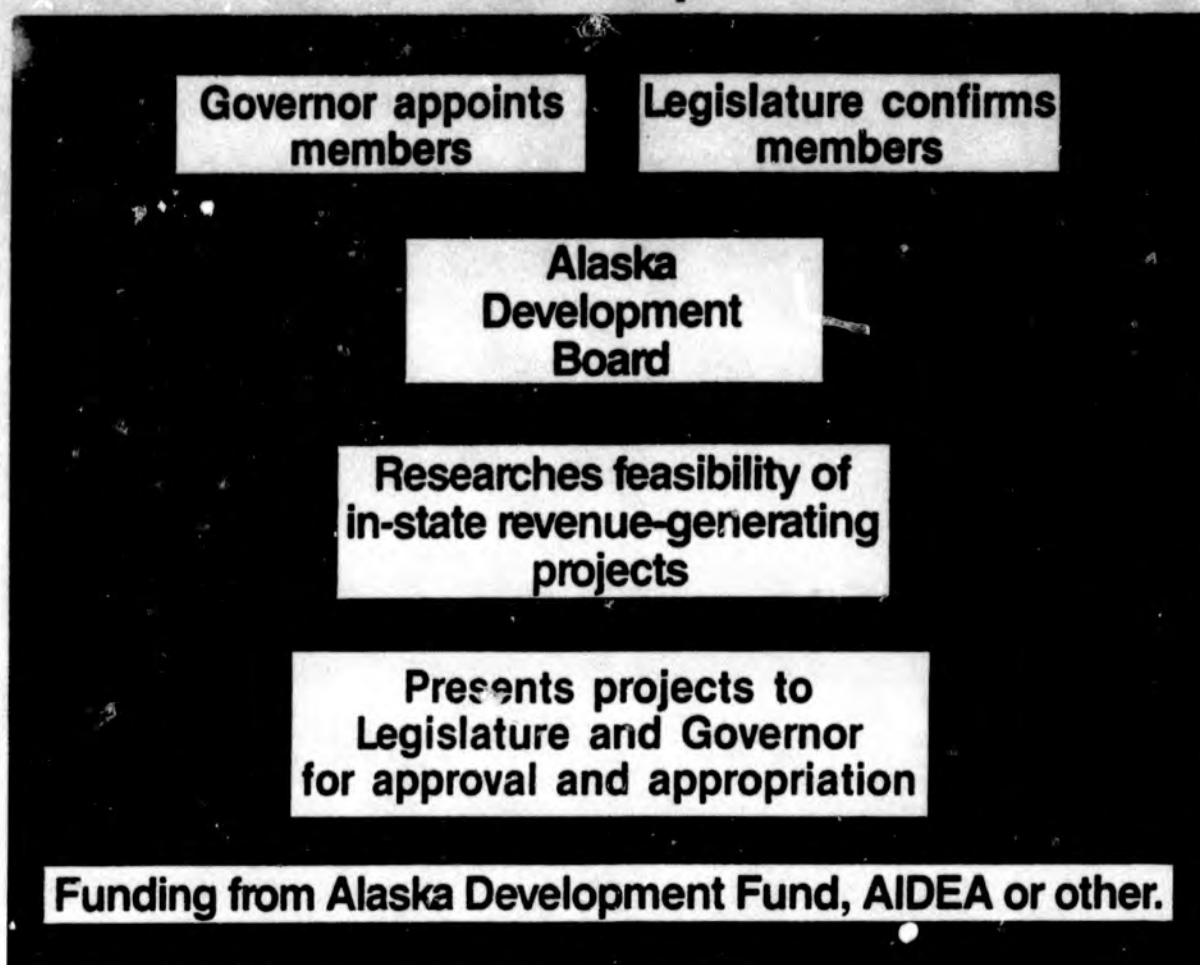


**Capital projects which
require on-going taxes
or revenues to operate.**



**Revenue-generating projects
which pay back investments
and cover own O/M costs.**

The Alaska Development Board



Membership of the Board

The members of the Board should be appointed by the Governor and approved by the Legislature. They should be given an arm's length relationship and a mandate to take a statewide viewpoint, just as the Permanent Fund Trustees divorce themselves from the special interest entanglements of the political process. Individuals must be named to this board on the basis of professional qualifications, emphasizing experience in designing, financing, guiding, and operating major projects of the magnitude which can strengthen Alaska's economic future.

RECOMMENDATION FOUR:

Using a portion of the \$516 million in the Permanent Fund's Earnings Reserve Account, the Legislature should establish an Alaska Development Fund.

Funding for the projects recommended by the Development Board and approved by the Legislature can be derived from several sources, including revenue bonds through the Alaska Industrial Development and Export Authority (AIDEA). This approach was used to finance the construction of the road to the vast Red Dog lead and zinc reserve northeast of Kotzebue.

In addition, the Legislature should set aside a one-time deposit of a portion of the undistributed earnings from the Fund. This large pool of dollars, known as the Earnings Reserve Account, currently contains \$516 million. Another possible source to establish an Alaska Development Fund is the windfall monies from oil litigation such as the Dinkum-Sands settlement (\$329 million). The reserves in the Alaska Development Fund would be saved and invested by the Permanent Fund Trustees until they are appropriated by the Legislature to facilitate projects recommended by the Development Board.

The Legislature has the final say.

It is important to emphasize that the Alaska Development Board would not have the power to allocate monies from the Alaska Development Fund. That prerogative would remain with the Legislature (with the concurrence of the Governor) which is charged by the Constitution with the task of appropriating funds.

RECOMMENDATION FIVE:

The Permanent Fund dividend program is beneficial and should be continued; however there should be a limit on the size of the dividends.

One of the very positive benefits of the Permanent Fund dividend has been the link it has created between the citizens of the state and the government. Just as personal income taxes in other states keep citizens alert to the spending decisions of their elected representatives, so the Permanent Fund dividend program has made Alaskans sensitive and attuned to how resource revenues are used.

Since the program's inception, a total of \$1.48 billion has been distributed and the benefits to the state's economy are recognized by nearly all Alaskans. The size of the dividend distribution, however, should be capped at an amount such as 40% of the annual earnings, as recommended last year by the State Senate, or at \$1,000 per person per annum.

RECOMMENDATION SIX:

Use of Permanent Fund earnings to "inflation-proof" the Fund should be encouraged in times of economic growth but, in depressed economic times, a routine annual appropriation for this purpose should not occur automatically.

A portion of the Permanent Fund's earnings has been used annually to strengthen the Fund and help it to grow and combat inflation.

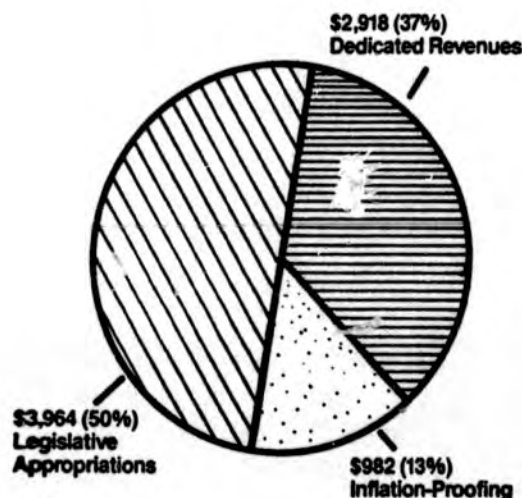
The Legislature has also demonstrated fiscal wisdom by appropriating large additional sums to the principal of the Permanent Fund during years of affluence. In fact, an impressive \$3.964 billion of the Fund resulted from such actions. This policy has been a wise one, especially in times of great wealth.

But "inflation-proofing" in a seriously depressed economy does not fulfill the original intent of the Fund which was to benefit all generations of Alaskans, including those currently trying to survive and make ends meet. In times of a shrinking economy, "inflation-proofing," if continued apace, will choke out all other uses of the earnings when, instead, a portion of those earnings should be injected into the economy through Alaska's communities as recommended herein.

And, as suggested in Recommendation One, it should be written into law that, in times of growth and expansion in the state's economy, the Fund should be strengthened by the Legislature through redeposit of the earnings.

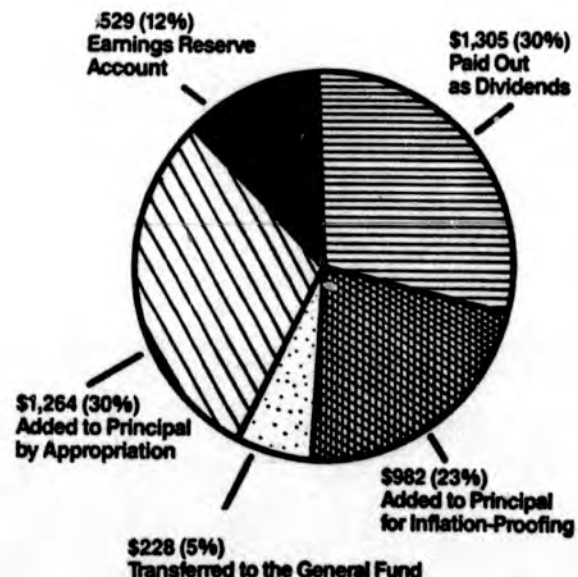
SOURCE OF PERMANENT FUND

Contributions to Principal Since Inception
Total at June 30, 1987: \$7.86 Billion
(in millions)



USE OF EARNINGS

Distribution of Earnings 1978 - 1987
Total Net Earnings: \$4.3 Billion
(in millions)



Such action will help combat the erosion of the Fund due to inflation, avoid overheating of the economy and at the same time reduce public spending.

But the Legislature should not make annual anti-inflation appropriations regardless of the real world circumstances being faced by Alaska's citizens.

RECOMMENDATION SEVEN:

Permanent Fund earnings should be used for state government operations only in dire emergencies.

Alaskans are keenly aware that state government grew rapidly at the advent of Alaska's oil wealth, far outdistancing all other states as to number of employees per capita, wage levels and benefits.

The waste in state government must be dealt with and the excesses curbed.* None of the earnings from the Permanent Fund should be allocated to state government operations in the foreseeable future, absent a major calamity or emergency.

To date, the earnings have been almost entirely used for inflation-proofing the Fund or dividends distributed equally to all Alaska residents. The recommendation in this paper that earnings be used as a counter-cyclical force in the economy calls for a per-capita distribution, maintaining the philosophy that this Fund is held in trust by all residents of the state and therefore any distribution should be made on an equal basis.

It should be remembered that approximately 85% of all royalties and revenues derived from North Slope oil activities are funneled directly into the General Fund out of which the Legislature appropriates monies for government operations. It is the firm conviction of this committee that earnings from the remaining 15% set aside in the Permanent Fund should be added to the General Fund only in case of a major calamity or emergency.

* Note: For strategies to reduce state government spending without precipitating a "crash landing", see the December 1986 Commonwealth North report, *Alaska's Budget Crisis, Facing the Facts — Closing the Gaps*.

RECOMMENDATION EIGHT:

Strategies for using Permanent Fund earnings, including those in this report, should be written in statute, not incorporated into the state Constitution at this time.

Public policies for using Permanent Fund earnings should be written in statute and thus remain flexible so that the Governor and the Legislature can respond to changing circumstances. World oil prices, the main determinant in state revenues, are too volatile to incorporate spending policies into the Constitution.

A number of fixed formulas were reviewed and studied carefully, including the 40-30-30 amendment proposed by the State Senate last session. All of them contain a number of excellent concepts. They should not, however, be incorporated in the Constitution.

Likewise, Commonwealth North's 1982 recommendation to create a Capital Investment Fund through a Constitutional amendment should be replaced by the approach outlined in this report.

If the recommendations in this report are adopted by the Legislature and function successfully, then there will be no need to lock them into the Constitution. Public support will keep them intact. If they are poorly managed, or fail to be successful for other reasons, they can and should be changed by a future Legislature without having to go through the Constitutional amendment process.

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LEGISLATION #1
AMENDMENT TO CURRENT STATUTES PERTAINING TO USE OF
PERMANENT FUND EARNINGS

To allow for a counter-cyclical use of undistributed Permanent Fund earnings to be distributed through local municipalities on a per-capita basis.

FINDINGS:

The Legislature finds that the earnings from the Permanent Fund should be used as a positive, counter-cyclical force in the Alaska economy. When economic indicators dip as determined by an Alaska Economic Index (see Article 1), earnings in excess of those used for dividends should be appropriated directly to municipalities on a per-capita basis. When indicators rise, these earnings should be withdrawn from the economy and used to help inflation-proof the corpus of the Permanent Fund.

ARTICLE 1. The Alaska Economic Index

The following Alaska economic indicators will be used to establish an Alaska Economic Index: consumer spending, savings and investments, public and private sector employment, wage and salary rates, housing starts, retail and wholesale sales, value of contract construction, personal income, gross state product, state revenues.

ARTICLE 2. Using the Index

On a annual basis, the Department of Revenue or a Council of Economic Advisors (as designated by the Legislature) shall publish the Alaska Economic Index which will in turn determine whether Permanent Fund earnings in excess of those used for dividends should be added to or withdrawn from the economy.

ARTICLE 3. Recipients of earnings

When the Alaska Economic Index calls for adding Permanent Fund earnings to the economy, they will be designated on a per-capita basis to local governments throughout Alaska.

Article 3.1

For the Unorganized Borough, the Department of Community and Regional Affairs which serves as the Borough manager for the Unorganized Borough, will receive and distribute the Unorganized Borough's share of earnings.

Legislation #1

Article 3.2 Parameters for municipal spending of earnings

Each local government will be encouraged to make its own judgments as to the best use of the earnings received through this program.

Article 3.3 Taking spending decisions to a vote

When a municipality desires public input, community votes may be taken to determine the best use of these earnings, including options such as alleviation of taxes, construction and maintenance of capital projects, distribution of dividends, creating a local Permanent Fund, etc.

LEGISLATION #2
THE ALASKA DEVELOPMENT BOARD

FINDINGS:

Alaska state government must provide leadership in the area of infrastructure development which is essential to diversify the Alaska economy. An Alaska Development Board is necessary to focus these issues for Alaska's people and their elected representatives.

ARTICLE 1

An Alaska Development Board is hereby established.

ARTICLE 2 Membership

There shall be six members of the Alaska Development Board, four private sector members and two from the Governor's cabinet. They shall be appointed by the Governor and confirmed by the Legislature and serve staggered six-year terms.

ARTICLE 3 Qualifications for Board membership

To be qualified, private-sector Board members must demonstrate professional experience and/or education in one or more of the following areas: project design, financing, construction, or operation of major infrastructure projects.

ARTICLE 4 Method of Operation

The Alaska Development Board must approach its mandate as described in this statute based upon professional and economic criteria, unswayed by political and regional pressures. The Board must take a statewide perspective in determining priorities. The Board must review all projects suggested to them but must pursue only those which best represent the intent of this Statute.

ARTICLE 5 Work of the Board

The Board must research the feasibility of in-state, revenue generating projects. They must recommend only those which, if constructed, will have the capacity to return the State's investment, cover operating and maintenance costs, and help strengthen and diversify Alaska's economic base.

Legislation #2

ARTICLE 6 Staff

The Board shall name an Executive Director who will be funded along with a limited staff. The Governor will provide additional support when needed from appropriate administrative departments, especially the Departments of Transportation and Public Facilities, Natural Resources, and Environmental Conservation. The budget for staff and support assistance will be derived from earnings of the Alaska Development Fund.

LEGISLATION DRAFT #3
THE ALASKA DEVELOPMENT FUND

Findings:

The Legislature finds that the diversification of the state's economy depends on the construction of major infrastructure projects which can assist the private sector with its development and transportation activities. The Alaska Development Fund will be a source of financing for these projects.

ARTICLE 1. Source of Funds

The Legislature shall deposit in the Alaska Development Fund a one-time start up amount of \$ which will be increased as deemed appropriate by future circumstances.

ARTICLE 2. Management of the Funds

When not in use for the projects described herein, monies deposited in the Alaska Development Fund will be invested and earnings retained. The Trustees of the Permanent Fund will manage the savings and investment activities of the Alaska Development Fund.

ARTICLE 3. Use of monies in the Fund

Only the Legislature, with concurrence of the Governor, can appropriate monies from the Alaska Development Fund for projects recommended by the Alaska Development Board.

ARTICLE 4 A Revolving Fund

Appropriations from the Alaska Development Fund will be made only to those projects that have the capacity to return the State's investment. Interest rates, if charged, will be determined by the Legislature upon recommendation of the Alaska Development Board. These rates need not match market rates; rather, they should be designed according to the revenue-generating capacity of the project.

ARTICLE 5 Notice to the Public

Although this Fund is not dedicated or mandated by the Constitution, this Statute requires that, if the Legislature or the Governor contemplate utilizing monies from the Alaska Development Fund for any other purpose besides those described in this Statute, broad public disclosure including public hearings must occur.

Harold Heinze, Co-Chairman
ARCO Alaska, Inc.



Peter McDowell, Co-Chairman

J. Brattain J. Brecht G. Easley D. Gottstein R. Huhndorf D. Langworthy A. Parrish W. Soboleff M. Thompson J. Usibelli R. Wien R. Williams M. Willis

REPORT TO

ALASKA'S ECONOMIC LEADERS

JUNE 1987

This Report was reproduced for the Alaska State Chamber of Commerce Convention and Trade Show, October 7-10, 1987, by the School of Business and Public Administration, University of Alaska Southeast, 1108 F Street, Juneau, Alaska 99801

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Technical support for this report was provided by Mary Ann Higgins, Marketing Planning & Management Consultants, Anchorage.

The conclusions in this report are those of the Alaska State Chamber of Commerce Commission on Strategic Planning for the 1990's.

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INTRODUCTION

The Commissioners

The sixteen Commissioners included:

- Harold Heinze, Co-Chairman, ARCO Alaska, Anchorage
- Peter McDowell, Co-Chairman, Juneau
- Janna Brattain, Merrill Lynch, Pierce, Fenner & Smith, Inc., Anchorage
- Julius Brecht, Wohlforth, Flint & Gruening, Anchorage
- George Easley, Alaska Aggregate Corporation, Anchorage
- David Gottstein, J. B. Gottstein, Anchorage
- Roy Huhndorf, Cook Inlet Region, Inc., Anchorage
- Don Langworthy, IBM, Anchorage
- Al Parrish, Westmark Hotels, Anchorage
- Dr. Walter Soboleff, Sealaska Corporation, Tenakee Springs
- Morris Thompson, Doyon, Ltd., Fairbanks
- Joe Usibelli, Usibelli Coal Mine Co., Healy
- Richard Wien, Florcraft, Inc., Fairbanks
- Gary Wilken (alternate), Wilken-Alaska, Inc., Fairbanks
- Bob Williams, Chevron USA Inc., Kenai
- Mary Willis, Humana Hospital, Anchorage

The Commissioners were also joined by seven observers, including:

- Robert Atwood, Anchorage Times, Anchorage
- Al Fleetwood, Enserch Alaska Services, Inc., Anchorage
- Mark Hazelwood, ARCO Alaska, Anchorage
- Francis Hurley, Archdiocese of Anchorage
- George Krusz, Alaska State Chamber of Commerce, Juneau
- Byron Mallett, Sealaska Corporation, Juneau
- Sally Smith, Alaska State Chamber of Commerce, Anchorage

The Mission

In November 1985, the Commission adopted the following Mission Statement:

"The charge to the Commission is to build a statewide coalition of thoughtful Alaskan economic leaders to identify and consider the implications and opportunities of the major social, political, and economic issues facing Alaska into the 1990's.

The Commission will develop and communicate a framework and unified strategies for the Alaskan political economy that draw strength from our abilities and highlight our common concerns.

Recognizing that:

- We have accumulated a permanent fund of intellectual capital more than adequate to the task at hand.
- Diversity of economic forms, cultures, and governance institutions is necessary so capitalism may thrive.
- It is important to draw upon all elements of the Alaskan private sector in identifying and achieving common goals.
- Alaskans traditionally reject monolithic solutions in favor of maximum self-determination.
- There is a social responsibility dimension to the economy that must be considered."

Purpose of a Strategy

Alaska needs an economic framework and strategies to:

- * Keep abreast of changing economic conditions
- * Account for conditions unique to the state
- * Set priorities among the numerous State and local government actions that are important to economic performance
- * Identify and curb actions harmful to economic progress
- * Coordinate related actions that have economic impact.

A strategy does not imply the development of detailed plans nor a presumption to direct the activities of the private sector. To the contrary, a strategy is important for assuring the development of a market-driven and competitive economy.

The Methodology

In the summer of 1985, Alaska State Chamber of Commerce Chairman Al Fleetwood established the Commission on Strategic Planning for the 1990's. Now, two years later, after numerous meetings, teleconferences, letters and memoranda, and review of volumes of material, the Commission has prepared its findings and action recommendations.

The charge of the Commission is to build a STATEWIDE coalition of thoughtful -- and thought-provoking -- Alaskan economic leaders. The goal of the coalition is to study the implications and opportunities of the major socio-political and economic forces which are affecting the Alaskan economy today and will be facing the Alaskan economy into the 1990's.

Toward that end, the Commission's co-chairmen, Harold Heinze and Peter McDowell, recruited representatives of major industries with diverse philosophical perspectives from various geographic regions throughout Alaska.

Each member of the Commission explained his or her industry and the factors for success in that industry. Members also prepared work products which included issue papers and factors for success background papers on the basic and secondary economic sectors affecting the Alaskan economy and the strategies for development which the Commission identified.

Because the Commission recognized that business people simply do not have the time to go through a long, traditional strategic planning exercise, they decided the end-product should be reduced to its essence ... a simple idea or framework that everyone could understand. They decided that it would not be useful to create a 'big plan' for business or the State of Alaska. The goal became the creation of a framework -- simple, adaptable to various regions, situations and specific local conditions. This framework they christened the "Export Model of the Alaskan Economy."

THE FRAMEWORK: An Economic Model for the Alaskan Economy

When the State Chamber started the Commission on Strategic Planning in 1985, they felt that what would be of most use on a statewide basis was to provide a framework to businesses (and governments) for strategic planning. This framework had to come from the "free enterprise, business perspective." The

result was the "Export Model of the Alaskan Economy."

The Commission reached consensus on its major conclusion: that an 'export model' is the approach which best facilitates evaluation of the Alaskan economy. Business sectors which primarily bring cash IN to the state (as opposed to sending cash outside the state or churning it within the state) would be part of the Export Model.

If a business understands its position in its local market relative to the Model, it will more easily be able to identify strategic decisions that will be required to remain competitive and profitable. Thus, the Model can become a stimulus for economic development.

Some Definitions

What we are talking about in economic terms is an "economic base analysis." An economic base analysis identifies the key economic activities of a community/region/state/nation. It divides the local economy into two segments:

- (1) Firms and individuals serving export markets;
- (2) Firms and individuals serving markets internal to the local economy.

The goods and services which the community sells outside its boundaries are considered exports. Exports include ALL sales made outside the community, not just trade with foreign nations. The remaining goods and services serve the local market. Local would be defined as the geographic region being studied.

In this division of markets, there is a cause and effect relationship. Export markets are considered to be the prime mover of the local economy. If employment serving this market rises or falls, employment serving the local market is presumed to move in the same direction. Thus, if a basic industry must lay off workers, the local retail merchant will feel the impact as the laid-off workers have less to spend ... or leave that local economy. Because of the prime mover role, export sector economic activity is considered as "basic." Employment which serves the local market is considered adaptive and is called "secondary."

Basic economic activity drives secondary economic activity usually in the same relative proportions over time. A change in basic activity will eventually produce a proportionate change in secondary activity.

Why Exports?

Exports help the Alaskan economy to grow. Exporters with big payrolls make it grow proportionately faster than exporters with smaller payrolls ... because large "basic sector" projects tend to cause more activity in the secondary (service) sectors of the economy -- as described earlier.

Jobs not tied directly to exports are important, of course. The more goods and services available in-state, the lower the leakage of purchasing power from the economy. This growth in

such "support" sector jobs is, however, severely constrained by growth in the export sector ... the lower the exports ... the lower the level of support required.

In the recent past, Alaska had a large export surplus mainly because of Prudhoe Bay ... now that has changed. The wellhead value of the oil industry contribution to net exports has fallen by two-thirds from 1985 (\$12 billion) to 1986 (\$4 billion).

Export/basic sector projects have a "multiplier" effect. They create more jobs in total than those related to the basic industry project. A job at a new defense installation, for example, will set off a chain of transactions that results in one or two other jobs being created in trade, services, or other support industries.

Alaska needs all the export projects it can get. Size of the enterprise is not so much the issue, but rather its viability. This will require better analysis ... to see where in the Alaskan economy a particular venture fits. Thus, the Commission suggests the Export Model as the initial framework to analyze the economics of projects, communities, regions and the state as a whole.

PRIMARY/BASIC EXPORT SECTORS

The basic export sectors playing the prime mover role in Alaska's economy are oil and gas, fishing, timber, minerals, coal, travel/tourism, national defense, federal civilian services, and the permanent fund dividend.

The following table depicts the Export Model summarizing the Alaskan economy in 1986. The Commission estimated the gross values of "exports" from the state for the basic sectors.

The gross value of oil and gas declined from \$12 Billion in 1985 to \$4 Billion in 1986. Oil is almost two-thirds the value of total exports ... even after the drastic drop in the price of oil from 1985 to 1986. Looking at the change in that one number for oil and gas, however, makes clear what has been happening in the Alaskan economy.

The value of fish caught by resident fishermen in Alaskan waters in 1986 is estimated to be \$300 million. Research indicates that an additional \$600 million goes to fishermen from other states.

The dollars generated from timber are estimated to be about \$200 million, primarily from round log, pulp, cant and heavy timber exports to East Asian markets.

The minerals number of \$100 million may be slightly high as placer miners were severely affected by environmental regulations in 1986.

Coal, at \$25 million primarily represents coal exports to Korea.

The travel/tourism figure, estimated at over \$500 million for 1986 (excluding transportation to and from Alaska), is interesting because of potential growth -- and that it represents only three months of activity.

"EXPORT MODEL"

Of The Alaskan Economy

1986

		<u>Millions</u>
Oil And Gas		\$4,000
Fishing		300
Timber		200
Minerals		100
Coal		25
Travel/Tourism		500
Defense	1,600	
Other Federal	1,300	
	<u>2,900</u>	
Less Federal Taxes	2,000	900
Permanent Fund Dividend		300
Total Estimated Value		<u>\$6,325</u>

Defense and the federal civilian sectors have definite growth potential due to Alaska's unique geopolitical situation, its remoteness, other natural features, and abundant public domain. Defense spending in Alaska is about \$1.6 billion. Other federal spending is about \$1.3 billion, for a total of approximately \$2.9 billion. Federal taxes paid by Alaskans were estimated to be about \$2 billion, leaving a residual of \$900 million contributed by the federal government to the state.

All dollar values are "wellhead," "ex-vessel" or "point-of-production" numbers. Travel/tourism, the permanent fund dividend, and federal government expenditures, while not true exports in the technical sense of the word, were considered such because of their capacities to bring wealth into the state. The 1986 Permanent Fund Dividend, estimated at \$300 million, was initially excluded. The decision was made to add the Permanent Fund Dividend into the model as the dividends do represent net dollars flowing INTO the state (although not directly from a basic economic industry).

SECONDARY SERVICE/SUPPORT SECTORS

The Commission identified transportation, world markets/international trade, private retail and wholesale trade and services, state government services, transportation and construction services, and local government services as the essential secondary sectors active in the Alaskan economy. These industries are often the "facilitators" or "conditions precedent" which make the importation of wealth possible. Transportation is

a good case in point. While transportation does not directly generate wealth, it does facilitate the importation of wealth and does have the effect of increasing wealth.

Transportation and Construction

After careful analysis and discussion, the Commission agreed that the transportation and construction industries per se are not importers of wealth to Alaska. Rather, they provide services to the other segments of the Alaskan economy. Under this premise, economic activity related to transportation and construction is an "effect" caused by other wealth generating activities or opportunities and not a "cause" in itself.

World Markets/International Trade

The effects of the globalization of the U.S. economy are felt with varying degrees of intensity in different states and regions. For example, states that depended on resource industries such as timber in Washington and Oregon, and copper in Montana and Arizona, found their economic mainstays drastically diminished or lost to foreign producers in the 1970's. These economies are just now beginning to turn around.

Farm states have been badly hurt by lagging exports, due in part to unfavorable exchange rates -- some of which may be improving. Most recently, since the beginning of 1986, the drop in oil prices has severely affected Texas, Oklahoma, Louisiana, and other oil-producing states.

What does this mean for Alaska? World markets are volatile and subject to rapid change. The natural resource (basic) sectors which fuel our economic engine are primarily dependent on the unpredictability of the world economy and world politics. This means that awareness of these interdependencies is key to economic success in Alaska.

There is economic opportunity in changing international markets. For example, the travel/tourism industry has identified over 600,000 tourists in Japan and 400,000 tourists in Germany who would be interested in coming to Alaska in the next five years. The challenge now is how to reach those markets.

Similarly, the Alaskan commercial fishing, mining, and timber industries can benefit from knowledge of their foreign markets' changing demands. New business concepts need to encompass worldwide market strategies for the 1980's and 1990's. Some of these might include:

- * Finding approaches for gaining access to rapidly growing markets -- whether in computer software, hardware, telecommunications, or commercial fishing.
- * Adjusting expectations to realistically lower levels of expected return in high-potential growth markets, in order to establish market share, compete and maintain long-term capital/cash flows.
- * Targeting key country markets in several geographic regions (including the U.S., Europe, Japan, and the rest of Asia) for market entry, growth and cash flow, as well as to control the share and cash flow of key competitors.

- * Creating new business tools to deal with currency fluctuation, exchange risks, and countertrade.
- * Developing joint venture, trade or direct investment opportunities in foreign business climates.

State and Local Government

In some regions and communities State and local government services are considered part of the basic/primary economic sectors. They actually may be a "basic" sector in a community such as Seward -- which has a large proportion of its "export" dollars attributable to State government. However, for the purposes of developing a framework from which to view the STATEWIDE Alaskan economy, the Commission felt they are clearly secondary economic sectors -- in that they do not provide the basic "fuel" for the economic engine. For example, 85 percent of the revenues of the State of Alaska were generated by the oil and gas industry during the early 1980's. If economic activity did not occur in the oil and gas sector, there would be considerably less State government services.

STRATEGIES FOR DEVELOPMENT

As explained in the earlier description of how the 'Export Model' works, just as a basic sector industry creates jobs ... declines in such industries result in job loss. By mid-1986, lower oil prices were projected to require cuts in State government expenditures, which included reducing state employment. These cuts in the secondary government economic sector, in turn, result in losses in other secondary industries.

It is critical that Alaska's economic leaders act now to reverse this trend of job losses. No single major economic event is on the immediate horizon to rescue the state in the near term.

What will be required is economic leadership, prioritization and analysis of opportunities, and most importantly, the courage to act now to safeguard the economic future of Alaska. Toward that end, the Commission has developed several "Strategies for Development" for immediate action.

Perhaps the most important work of the Commission was the identification of these "Strategies for Development." The Commission felt it essential to focus on new directions for economic growth and diversification ... as well as to provide continued support for the existing basic economic sectors currently being pursued -- such as tourism and the natural resource industries. (The current basic sectors are important -- but the Commission was also interested in a new focus on areas of economic potential which may have been overlooked).

Six strategies were identified. In addition to the overall strategy of continued support for all the existing basic sectors, the "Strategies for Development" also include three development alternatives which aim at expanding the export sectors of the Alaska economy -- as defined by the Model. The export sector priorities identified are high technology and software development, increasing the national defense presence in Alaska, and the expansion of Alaskan participation in the growth and Americanization of the commercial fisheries off the coast of Alaska. The other two strategies for development identified are

primarily import substitution alternatives. Their objective is to reduce the leakage of insurance premium and financial investment servicing dollars outside of the state of Alaska.

Continued Support for Existing Basic Sectors

Alaska has a resource-based economy. The Commission recommends continued support of the other basic sectors identified as strengths in the Export Model: coal, minerals, oil and gas, timber, and travel/tourism.

By suggesting additional strategies, the Commission does not imply that resources in terms of finance or personnel should be removed from existing economic developments which are cost-effective and producing positive results. On the contrary, the Commission supports continuation of programs such as the one developed for the travel/tourism industry. The State needs to put its economic investment dollars in viable programs which have the highest potential success rate as well as highest potential return on the investment. The Commission supports and encourages development initiatives at the local and regional level in Alaska, especially those like the pursuit of the 1994 Winter Olympics.

High Technology/Software Development

A 1983 survey by the Congressional Office of Technology Assessment found 150 programs in 22 states designed to promote

technology as a major sector of the state's economy. By 1985, 40 states reported initiatives in this area. These initiatives cover a wide range of activities from investing in applied research and development to providing financing for new product development and management assistance to fledgling entrepreneurs.

What is "High Technology?" One definition is "adding more mind power than muscle power to a product." The Commission developed a partial list of types of industries which could fit this category. These include:

- Arctic Science
- Bio-Technology
- Electronic Design and Assembly
- Renewable Energy
- Software Development
- Telecommunications

From this list, the Commission selected software development as one industry which has high potential as a viable development initiative for Alaska.

Current characteristics of the software industry make it an attractive economic development target. The market is being driven by rapidly changing electronic capabilities -- existing now and in the research stages. Other positive software industry features include inverse price/performance ratios, an expanding number of users, expanding number of networks, massive parallel systems, and break-throughs in artificial intelligence and robotics.

Most importantly, the compound growth rate (CGR) for

software sales estimated through 1995 is 18.5 percent, second only to telecommunications. The actual 1985 total industry revenues for systems and application software worldwide was \$13.6 billion. This market is expected to grow to \$43.6 billion by 1991, with an estimated CGR of 21 percent. If Alaskans were to capture even one-half of one percent of this market, the gross revenues would be over \$200 million.

The following are other market characteristics:

- * 15,000 vendors in 1985
- * 15 companies produced over \$100 million in revenues
- * Lotus posted \$226,000,000 in 1985 revenue
[a firm not even in existence in 1980]
- * Protected intellectual property
- * High margin products
- * Low start-up costs
- * Key factor for success: creative ideas, not "next to market access"

Other states are aggressively pursuing this strategy for development:

NORTH CAROLINA has established five technology centers, distributed throughout the state. They started early, offer a certain lifestyle, favorable tax laws, and a work ethic attitude. In addition, they formed a partnership between higher education, government, and the private sector to push the program.

MASSACHUSETTS AND NEW YORK offer special credits for research and development, real property tax reduction, and small business advisory assistance through the state college systems. They also provide financing for software start-ups through their

"Business Development Corporations," and loans from state pension funds.

ILLINOIS provides inexpensive office space, grants and seed money, and has established the Illinois Venture Fund and Illinois Technology Centers.

HAWAII started their technology development program about three years ago. The plan was to break ground in 1986 for three "high-technology" parks. Also, a high-tech center was planned for the University of Hawaii -- promoting 10 high-tech disciplines. Other assets include lifestyle and geography.

Strategy for Success

HOW CAN ALASKA COMPETE? First, Alaska can offer incentives for software start-ups to locate in Alaska. These would include real property (possibly free state or municipal land ... for a certain lease period), loans, and/or credits. The credits would be to encourage investment and research and development -- aiming at attracting companies committed to Alaska for the long-run. Tax incentives could include eliminating the "unitary" tax.

The most common structure for administering a state technology development program is a joint public/private body that includes representatives of the university and private business communities as well as the government. The organizations can be established as independent public agencies, private non-profit corporations, or may act in an advisory capacity to existing state agencies.

Two types of structures could provide the impetus for development of the software industry in Alaska. The first, "Software Development Technology Center(s)," housed at the University of Alaska, would be a vehicle for conducting research, and to create a reservoir of basic technological knowledge and human expertise needed for future entrepreneurial vitality. Such centers can be designed to attract new businesses, to encourage the creation of new firms through the spin-off of new products, or to help solve the technological problems of existing businesses.

The second, an "Alaskan Software Development Corporation" could be set up to develop incentives, draft required legislation, procure funds, and administer the program.

Attracting More National Defense Installations

The objective of this strategy for development would be to expand the military presence in Alaska by establishing a formal mechanism for promoting new Department of Defense (DOD) installations in Alaska.

The Air Force, Army, Navy, Marines, Air National Guard, Army National Guard, Reserves, U. S. Coast Guard, and the Corps of Engineers have a significant impact on the state of Alaska. As indicated earlier, their total contribution to export dollars was estimated to be \$1.6 billion in 1986.

Manned installations of DOD and the U. S. Coast Guard are established at more than 30 locations throughout the State. There are very large bases with several thousand people and

numerous outposts with fewer than 100. In addition, there are a large number of installations, such as radio relay sites, which are not staffed on a regular basis. Due to limited living accommodations at many remote and isolated locations, assigned personnel are often not accompanied by their families. In locations where community housing is available, members of the military are accompanied by their families.

As of September 1985, the military labor force and employment totaled approximately 30,000. This number translated to a total services population of over 80,000 -- about 16 percent of the State total -- including retirees, inactive duty personnel, and dependents.

The existing military installations are shown on the following map.

Strategy for Success

HOW CAN ALASKA COMPETE FOR DOD DOLLARS? Alaska has a strong military tradition and unique geopolitical defense position -- considering its proximity to the Soviet Union and that the Soviet fleet is the largest in the world.

The State needs to, first, identify defense projects which are compatible with Alaska's needs and which meet needs of the DOD. Examples might include (1) security/privacy needs -- easily supplied by Alaskan communities' remote locations, (2) transportation infrastructure, and (3) electric power, which would also meet Alaskan goals and objectives.

PRIMARY MILITARY INSTALLATIONS IN ALASKA

BY REGION



Secondly, the State needs to present a written proposal explaining how Alaska can meet DOD requirements for "XYZ project." This approach fits with the Pentagon mode of operation of responding to -- not generating -- proposals. Alaska needs to be SOLD as a "site." To facilitate new projects the State could offer incentives to DOD in the form of land (free, or on a long-term lease), or providing matching funds (at a minimum) for road and/or power line improvements.

What kinds of projects are suggested? Several current projects provide a preview. For example, the 6th Light Infantry Division is adding 3,700 jobs and \$500 million to the economy. The Backscatter over-the-horizon radar project will add \$450 million and 500 jobs. Dew Line upgrades are worth an additional \$100 million. The Acoustic Measuring Range near Ketchikan will add 40 jobs and \$20 million.

Potential projects could include underwater communication, "cold" storage dispersal, getting on the "Port of Call" list -- which can bring in up to \$1 million/day for every day in port, and/or having Kodiak, Dutch Harbor, or Barrow become designated as an "Arctic Port" for the Pacific Navy.

Alaska needs to build on its strengths. A key geopolitical location, a strong military tradition, and an available pool of recently retired high-ranking military personnel make this initiative workable. The State needs an ambassador/lobbyist to the DOD who has a strong service record, preferably a staff-ranked officer, who stayed in Alaska out of a liking for the state.

There are various ways that this could work. One suggested by the Commission is to appoint an ambassador to the Department of Defense. An "Ambassador" and staff could be stationed in the Pentagon -- assessing DOD needs and developing proposals, which would be presented to the Governor. The Commission felt it important that an ambassador have the clear backing of the Governor ... and report to Juneau through the Office of the Governor.

Expansion of Alaskan Participation in the Americanization of Commercial Fisheries

According to the State of Alaska and the North Pacific Fisheries Management Council, fish caught in Alaskan waters in 1986 were valued at approximately \$890 million. Experts now predict that the Bering Sea bottomfishery alone may yield \$500 million in domestic revenues for 1987. The opportunity is there.

The table on the following page details the value of Alaskan commercial fisheries (in millions of dollars) to resident and nonresident fishermen from 1976 through 1986.

If Alaskans were able to capture a larger portion of the harvest and of the value-added processing, the Alaskan economy could increase its basic sector substantially.

The Commission defined the objectives for expansion of Alaskan participation in the growth and Americanization of the fisheries off the Alaskan coast as two-fold:

- (1) Optimize the harvest in Coastal Zone waters
- (2) Obtain greater in-state share of fishery resources.

**The Value of Alaska's Commercial Fisheries to Resident and Non-resident Fishermen
(\$ millions)**

Species	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Salmon	119.7	176.4	241.2	346.8	254.1	397.3	309.7	320.2	343.1	389.0	404.0
Shellfish	97.3	153.2	230.6	239.0	265.3	196.9	211.7	146.6	102.1	106.3	186.4
Halibut	20.5	17.6	23.4	32.9	13.5	19.3	24.9	35.3	24.9	40.3	63.2
Herring	2.5	2.7	7.2	32.7	12.2	18.6	20.2	28.9	19.8	38.0	38.5
Groundfish	1.1	1.6	3.3	6.3	8.9	24.0	40.9	78.0*	107.2*	137.5*	197.9*
All Commercial Fisheries	241.1	351.5	505.7	657.7	554.0	656.1	607.4	609.0	597.1	711.1	890.0

1985 and 1986 data preliminary estimates.

* 1983, 1984, 1985, and 1986 groundfish include J.V.¹ and D.A.P.² landings, in and out of Alaska.

Source: Informational Pamphlet, Alaska Department of Fish and Game, February, 1987.

1 J.V. = Joint Venture

2 D. A.P. = Domestic Annual Processing

Strategy for Success

The Commission identified key factors for success in realizing these objectives: knowledge, focused insight (such as that resident in Washington state and Japan), vessel support and fish processing facilities, adequate Alaskan ports and processors to serve industry needs, and a degree of regulatory stability.

Specific areas for action which the Commission suggests are as follows:

- (1) Develop knowledge and insight with detailed study of Alaska's present position and future potential including:

- Direct dollar benefit by region (in-state and out) of vessel harvest value, wholesale value and market value for each type of fishery.

- Indirect dollar benefit by region (in-state and out) of fishing fleet support, processing and product storage facilities.

- (2) Develop the in-state fleet through favorable regulation.

- Harvest quotas that encourage fresh market prices and local home ports.

- Biologically based harvest management to lengthen seasons where possible.

- Resolve salmon, crab, and white fish conflicts to unite the local fleet.

- Rebuild the share of Alaskan Native and non-Native permit holders.

- Consider modifications to fishery permit system
 - Consider state buy-back of some permits

- (3) Develop in-state, onshore processing through improved competitiveness.

- Identify factors for success that have resulted in processing growth outside Alaska.

- Utilize fish tax investment credits as incentives.

--Prioritize projects that reduce energy and cold storage costs.

--Define the type and level of technical and research support needed.

(4) Develop adequate harbor and vessel service facilities.

--Use state lands to increase the capability of ports to fuel and supply vessels.

--Improve dry docks and haul-out rails for in-state vessel maintenance and repairs.

(5) Develop the Alaska Board of Fish as the agency to define the optimal fishery harvest levels and to define the State's role in mariculture, fish farming and ranching.

--Increase the biological expertise on the Board with appointments of fishery experts with no direct fishing interest.

The Insurance Industry

For 1986, the estimate of total insurance premiums paid by Alaskans was over \$650 million. Of this, between \$450 and \$550 million came back to Alaska for claims and the remainder must be considered "leakage" to economies outside of Alaska.

The Commission identified this leakage as an opportunity for import substitution. Of the 1004 companies authorized to sell insurance in the state, 989 were "foreign" (not Alaska-based) and 15 were domestic. Although it may be difficult to capture all of the "leakage" due to the nature of the insurance industry, there appears to be some room for growth.

For example in 1985, the health care bill for the state was estimated to be about \$1.3 billion. Although the data is sketchy and hard to obtain, at present it appears that Alaska spends about \$500 million in State and federal tax dollars for

health care services. Another \$800 million is paid for by insurance and private individuals. Information about the proportion of insurance premiums paid to out-of-state companies relative to the total claims paid to Alaskan health care providers is not available for recent years. A 1982 study, however, revealed a net excess of health insurance premiums over amounts paid of about \$40 million, or twenty-one percent of the total premiums paid.

Strategy for Success

Economic leaders need to investigate the dimensions of this leakage of insurance premium dollars, estimated to be \$100 - 200 million. Then, they must identify potentially viable strategies for keeping the insurance premium dollars in the state.

The Investment Industry

Like the insurance industry, the main challenge with the investment industry opportunity is that the portion of investment dollars being managed outside of Alaska is unknown. The estimate of dollars available for investment ranges from \$25 to \$40 billion. The largest pools of available dollars include:

- The Permanent Fund
- The Teachers Retirement System
- The Public Employees Retirement System
- Corporate pension funds
- Union pension funds
- Local government funds
- Investments in local banks, savings and loans, credit unions, insurance companies, and brokerage firms.

If Alaskan brokers and investment advisors were to collect one quarter of one percent for investing \$25 billion (or \$40 billion) -- the value to the Alaskan economy generated from the investment industry could be \$60 million (or \$100 million).

Strategy for Success

These objectives could be partly accomplished by "gentle nudging" on the part of institutional investors ... such as administrators of the Permanent Fund and pension funds. As a matter of policy, fund administrators could only do business with investment firms which kept active Alaskan offices capable of providing competitive service to their accounts. Also, the Legislature could enact statutory incentives regarding the investment of public funds.

ACTION ITEMS/IMPLEMENTATION

The next phase of the Strategic Planning Commission's work focuses on communication. This phase includes taking this report "public" in town meetings with business and government leaders throughout the State. These include:

- local Chambers of Commerce statewide
- service clubs and other forums.

The emphasis of these local presentations will be on how each local community can evaluate its own economy using the "Export Model" and the "Strategies for Development." Each community and region should create its own development initiatives and priorities.

Finally, since its mission is to involve key Alaskan economic thinkers and leaders in the planning process, the Commission offers the following "Economic Leadership Checklist."

Economic Leadership Checklist

The Commission urges Alaska's economic leaders to:

- Educate Alaska's people, especially the children, because they are the greatest resource;
- Recognize the importance of the Alaskan political economy to other facets of life in the state;
- Become educated about the nature of economic change in the world and its effect on Alaska;
- Insist on sound diagnosis as a foundation for economic strategy;
- Require that economic development programs be monitored and periodically evaluated to assure public accountability and necessary adjustments;
- Participate in shaping a vision of Alaska's economic future;
- Identify actions compatible with that vision and motivate people to undertake them; and,
- Join with the State Chamber of Commerce in a statewide partnership to provide the leadership for economic expansion and diversification.

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Analysis of Balance Sheet
6/30/87

INVESTMENTS

Restricted	\$ 55,284,432
Unrestricted	\$223,044,730

The restricted category is comprised of funds that are specifically pledged or obligated for various bond issues. Included in this category are the Capital Reserve funds, Bond Sale funds, Loan Collections, Escrowed Bond Sale, remittances, etc. These funds are held by the various bond trustees.

The unrestricted category are general funds of the Authority that are not specifically pledged to any particular bond issue but which in addition to the loans comprise the bulk of the general assets of the Authority. The majority of these funds are invested in U.S. obligations or agencies or instrumentality of the U.S. in maturities of one year or less.

LOANS

Total	\$329,070,910
Less allowance	<u>10,173,101</u>
NET	\$318,897,809

Composition of loans

Appropriated & Purchased	549	\$ 75,353,222
Federally Guaranteed	63	11,278,600
Bond Sale	<u>396</u>	<u>242,439,088</u>
	1,008	\$329,070,910

95% of total \$ in real estate 50% in Anch

Bond Sale Delinquency as of 10/31/87

# loans	Principal	30 Days	60 Days	90 Days +
377	\$229,997,223	(14) 3.05% \$7.0 million	(5) 1.24% \$2.9 million	(69) 22.5% \$51.9 million

Total Delinquent

88 26.8% \$61.8 million

OREO as of 6/30/87

\$8,797,589

*11/30/87
\$10m*

does not get a current appraisal / doc set here to but the books must get an appraisal

Analysis of Balance Sheet
December 21, 1987
Page Two

Liabilities as of 6/30/87

Bonds Payable	\$252,720,225
Average Annual Debt Service	\$33.0 million/per year

Income Statement Notes
6/30/86

	<u>87</u>	<u>86</u>	<u>85</u>
Total Revenues	\$ 48,359,225	\$ 54,959,810	\$ 51,812,352
Total Expense	34,882,482	26,084,609	22,060,125
Total Earnings	13,476,743	28,875,201	29,752,227
R.E. End of Period	\$157,625,213	\$144,148,470	\$115,273,269

*22 Bond issues out. G.O. full faith & credit
of authority
vast majority are non-callable until
1994-97 not allowed to be
refundable 10 yrs
10-22 can be called with a pre-pay
only.*

**Municipality
of
Anchorage**



POUCH 6-650
ANCHORAGE, ALASKA 99502-0650
(907) 264-4311

December 17, 1987

Anchorage Legislative Caucus
Representative Virginia Collins, Chair
3111 "C" Street, Suite 150
Anchorage, Alaska 99503

Dear Representative Collins and Caucus Members:

My principal objective as Mayor of Anchorage will be to bolster the sagging economy. Capital projects are a crucial part of my effort; however, I would like to emphasize some other areas which I believe can aid the economy and which will require your assistance. Essentially, I am planning a stimulation program for our faltering economy. The list attached to this letter reflects my thinking on a potential program. I have presented these thoughts to the Municipal Assembly for their information and discussion. I now present it to you for your consideration.

I solicit your aid in our quest to get Alaska's economy back on its feet.

Respectfully,

A handwritten signature in dark ink, appearing to read "Tom Fink", written in a cursive style.

Tom Fink
Mayor Elect

1 Enclosure

SUGGESTED LEGISLATIVE PROGRAM

1. A strong economic stimulation package consisting of the following as possible measures:
 - a. Municipal Assistance in the amount of \$100 million dollars at the rate of \$200.00 per capita to each local government.
 - b. A substantial capital improvement program not including buildings, but including deferred maintenance on buildings, and roads.
 - c. A residential loan modification agreement through AHFC which would enable people to reduce their payments and the extra interest added onto the tail end of the loan.
 - d. Tear down the old sub-standard ASBA buildings and ASBA buy new buildings from AHFC and give it a note until such time as ASBA gets federal money to do it.
 - e. Commercial loan modification agreement at AIDA and the payments reduced and the interest added onto the tail end of the loan.
 - f. A program to buy out some foreclosed mortgages of commercial properties such as Zamarello's strip malls at 1984 land values, and then boarding up or tearing down the buildings.
 - g. An extra dividend.
 - h. Legislation to authorize Bradley Lake to go forward without APUC's approval.
 - i. Offer up to \$100 million dollars for capital improvements to bring the Navy into Southcentral Alaska and also assist in making oil available at less than market prices to the Navy.
 - j. Appropriate 1.5 million to get the Court Building started this Spring in downtown Anchorage.
 - k. A guarantee loan fund wherein banks will hold 10% of a loan and with 90% guarantee from a State agency.
 - l. Pay off local government bonds.
 - m. A Job Corps Program.
2. A \$100,000,000 Capital Improvement Program for Anchorage, projects with a priority as shown on the Anchorage Capital Projects Priority List

Last item -- 16 million for miscellaneous capital improvements.

Anchorage Legislative Issues

The Anchorage Assembly supports and encourages legislative consideration of the following issues:

Tax Incentives - Consider granting local communities the authority to offer various tax incentives to new and expanding business in the interest of spurring economic growth.

Note: Also endorsed by Alaska Municipal League (AML)

Binding Arbitration - Consider repealing the legislation requiring binding arbitration for local governments and their bargaining units.

Note: Also endorsed by AML

AS 47.37.170 (b) - Consider alteration of this statute to permit more local autonomy in dealing with the public inebriate problem.

School Funding - Consider legislation to facilitate identification and appropriation of school funding by the 15th of March each year.

Workman's Compensation - Review current workman's compensation statutes to assess impact on financial issues facing employers and propose alternative legislation to rectify the issues.

Business Liability - Review situation in local business communities regarding liability insurance and difficulty in obtaining such coverage, especially for small businesses. Propose legislation to aid in rectification of this difficulty.

Right to Bear Arms - Support a ballot proposition regarding Second Amendment rights.

Updated December 16, 1987

ANCHORAGE CAPITAL PROJECTS PRIORITY LIST

Rank	Name of Project	1988 \$M	Antici- pated Const. NTP	Design Study Report	Prelim Design	Final Design	ROW Acq	Constr- uction	Notes		
1	Lake Otis Parkway, III (Tudor to Dowling) (AARP)	\$ 2.5	1988	100	100	100	100	80	Electrical undergrounding, s/w bikepath & landscaping complete:	10/88	Awaiting Funds
2	Klatt Road (AARP) (Timberline to Southport)	\$ 3.4	1988	100	100	100	100	50	Paving, curb & gutter, sidewalks, bikepath, lighting & landscaping complete:	10/88	Awaiting Funds
3	Spenard Road, II (AARP) (International to Turnagain)	\$11.4	1988	100	100	20	5	--	Row acq. complete: Roadway complete: Landscaping complete:	3/88 10/88 8/89	Funded Awaiting Funds Awaiting Funds
4	ERRRSA Projects Hiland Rd. (\$500K) Santa Maria Dr. (\$850K), Hiland Bridge Ped. Walk (\$450K)	\$ 1.8	1988	100	100	10	-0-	--			
5	36th Avenue (AARP) (Arctic to Spenard)	\$ 4.1	1988	100	100	100	50	--	ROW acq. complete: Roadway & landscaping complete:	5/88 10/88	Funded Awaiting Funds
6	East 6th Ave (Muldoon-Cherry) Edwards (DeBarr to Ptarmigan School)	\$ 2.5	1988	100	100	10	--	--	E. 6th \$2.0M - ready to let Edwards \$450K - not designed		
7	Lake Otis Parkway, IV (66th to Abbott) (AARP)	\$15.8	1988	100	100	100	5	--	ROW acq. complete: Roadway & landscaping complete	5/88 10/88	Awaiting Funds Awaiting Funds
8	Arctic Blvd. (AARP) (Raspberry to Dimond)	\$ 3.5	1988	100	100	100	100	--	Roadway complete: Landscaping complete:	10/89 8/90	Awaiting Funds Awaiting Funds
9	Huffman Rd. (New Seward to Bragaw)	\$ 3.5	1988	100	0	0	0	--	Bid pkg. ready by July, state project		
10	ERRRSA - Add'l projects Baranoff (\$1.62M) Sullins Dr. (\$390K) Klondike (\$270K) Strip Paving (\$900K)	\$ 3.2	1988	100	100	10	0	--			

11	Spenard Road, III (AARP) (Turnagain to McRae)	\$ 7.1	1989	100	100	--	--	--	ROW acq. complete: Roadway & landscaping complete:	3/89 10/89	Awaiting Funds Awaiting Funds
12	Diamond Blvd. (AARP) (New Seward to 88th)	\$ 4.7	1989	100	--	--	--	--	Design complete: ROW acq. complete: Roadway complete: Landscaping complete:	10/88 7/89 10/89 8/90	Awaiting Funds Awaiting Funds Awaiting Funds Awaiting Funds
13	Lake Otis (O'Malley-Huffman) (2.8) and signalization at Huffman (.3)	\$ 3.1	1988	0	0	0	0	--	Ready for ROW acq. in '88; potential private development under reimbursement plan		
14	West Northern Lights, II (Wisconsin to Aero) (AARP)	\$ 5.6	1989	100	--	--	--	--	Design complete ROW acq. complete: Roadway complete: Landscaping complete:	10/88 7/89 10/89 8/90	Awaiting Funds Awaiting Funds Awaiting Funds Awaiting Funds
15	ARDSA Rehab Projects	\$ 4.0	1988	--	--	--	--	--	Implementation of 5-yr road improvement plan		
	TOTAL	\$76.2									
16	Other road projects (attached)	\$14.0									
	W. Northern Lights Blvd., I (\$ 1.4) (Forest Park to Wisconsin)		--	100	100	100	100	99	Landscaping complete: Request transfer of residual funds to Spenard Road II.		

AARP = Anchorage Accelerated Roads Program

NTP = Notice to proceed

ROW = Right of way

ATTACHMENT TO ANCHORAGE
CAPITAL PROJECTS PRIORITY LIST

<u>MUNICIPAL PROJECTS</u>	<u>Cost (\$ Millions)</u>
Hillside Drainage Plan, Phase II Study	.3
Hillside Drainage Plan, Phase I Implementation	2.0/5.0
Birch Road, Huffman to DeArmoun (extend South to DeArmoun Road) Class 1C - Neighborhood Collector Upgrade to 38' Paving, Curb and Gutter, Sidewalk, Biketrail and Illumination	1.7
Buffalo Street (extend South to Rabbit Creek Road and add Bridge) Class 1C - Neighborhood Collector Upgrade to 38' Paving, Curb and Gutter, Sidewalk, Biketrail and Illumination	2.2
Elmore Street (extend North from Riverton Avenue and add Bridge) Assume Class 1C - Neighborhood Collector Upgrade to 38' Paving, Curb and Gutter, Sidewalk, Biketrail and Illumination	2.3
Bragaw Street (extend south from Huffman Road to DeArmoun) Class 1C - Residential Collector Upgrade to 38' Paving, Curb and Gutter, Sidewalk, Biketrail and Illumination	2.5



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

1577 "C" STREET • SUITE 304 • ANCHORAGE, ALASKA 99501-5177 • (907) 274-1651

December 21, 1987

Senator Jan Faiks
Senator Rick Halford
Senator Arliss Sturgulewski

Dear Senators:

Thank you for your invitation to attend last weeks discussion on the Alaskan economy. My understanding is that on Tuesday at 9:00 AM the group will meet again and you would like a brief overview of the current financial situation of the Authority. Additionally, myself and all others in attendance were to give some thought to what was discussed and present any ideas or alternatives that may help the economy in general.

My understanding is that the primary purpose of the group is to brainstorm and prepare ideas that may allow governmental intervention to assist the economy through some difficult times. Many individuals feel that the assets of the Authority could be useful in this effort and that an overview of the financial condition would allow a more reasoned analysis.

Attached as Appendix "A" is the Balance Sheet & Income Statement for the year ending 6/30/87. Following the statements, I have prepared a brief analysis of the composition of the balance sheet with particular emphasis in the asset side in which this group appears to have an interest.

At last weeks meeting, several points were raised that merit response. There seemed to be a general consensus around the table that AIDEA needs to respond more timely to work-out requests submitted by banks and needs to be a bit more liberal in its evaluation of these requests. Insofar as the timeliness is concerned, I agree that there have been times when a response has been slower than necessary. Internal steps have been taken to remedy the problem. On the liberalization side, I also agree that some of the criticism may be justified. It is significant that the Authority considers itself an in-state investor in bank originated loans and not a social service organization. It is also realistic to understand that on a 90/10 participation who really has assumed the risk and accordingly should have a considerable voice in determining the future events of that particular transaction. Nevertheless, steps are being taken to hopefully alleviated, at least to a degree, both of these concerns.

*Corp would have to carry on
is land value - & the other
ways to difference for
10 years*

On to more important matters and the purpose of the gathering, the economy.

It appears the group was not overly impressed with my rather inarticulate mutterings on supply and demand. The majority of proposals distributed do not address these fundamentals and accordingly will not solve the problem. The proposals all are premised on the assumption of buying time and hopefully things will get better. This analysis ignores the possibility that a structural change has occurred within Alaska and that slow to moderate growth will might be the future, not the double digit growth that we've all grown accustom to.

What is occurring now is percisely free enterprise at its worst. It is eliminating the marginal producer in a very efficient matter. Once equilibrium is reached, the survivors will grow and prosper and those who made miscues or poor investment decisions will be finished. The lesson for the real estate speculator is simple, leverage is two sided.

The problem then is to alter the above relationship, hopefully in a form that recognizes some across the board public benefit, as it appears public funds are to be used. The Chairman has requested that we focus on the supply side and accordingly it appears to the author that to rationally gain access to the "public trough", a program that at least attempts to spread equally the gain and the pain be developed.

Demolish Alternative

- 10/1/88
10/1/88
10/1/88*
- I. Any financial institution, political subdivision, credit union, FDIC, may take property from their "OREO" account, sell it to the "Demolish Corp" for its current land value who is then mandated to destroy the improvements upon the land.
 - A. Improvements must have existed upon the property prior to January 1, 1986.
 - B. Improvements must be commensurate in size and character to the real property in question.
 - C. Property must be vacant at time of purchase.
 - II. The "Demolish Corp" is prohibited by statute from selling any real property until _____, which time all proceeds are deposited in the _____ (General Fund?).

Analysis

1. Not feasible, no one will sell for merely land value.
 - A. Perhaps not. Current OREO requires taxes, insurance and maintenance. If the structure is obsolete and the institution has already written off a portion. A sale for land value would stop the bleeding and allow immediate cash into the bank. Most likely the least desirable, must uneconomic projects would be candadates.

2. By requiring tenant removal prior to purchase, demand would be created by eliminating supply.
3. Who wins/Who loses??
 - A. Tends to prop up property values if enough properties tendered. All property owners would benefit by the reduction in supply of like properties. (Includes commercial and residential).
 - B. Removes property from the tax roles but increases values of the remaining property.
 - C. Allows institutions to liquidate, receive cash and go on.
 - D. Penalizes speculation

III. Moratorium on lending for new construction

{ A moratorium would be placed on AHFC, AIDEA, ASBA, Permanent Fund, etc. on providing funds for permanent financing for any new construction ~~subject to an override by the local governing body~~ within which the project is located. *Mo* }

The intent is to curtail new construction except when a local government feels their economy can absorb such new construction. Could put a sunset on it, say for three years, then the restriction falls away unless reinacted.

IV. Public Works - Jobs Bill

*ADH passed a resolution
no more public works bonds
January, 1988. But Sen
Lambert*



National Bank of Alaska

CORPORATE HEADQUARTERS • BOX 100600 • ANCHORAGE, ALASKA 99510-0600

ROBERT P. GRAY
PRESIDENT

December 21, 1987

Senator Jan Faiks
Senator Rick Halford
Senator Arliss Sturgulewski

Dear Senators:

It was refreshing and beneficial to have a candid meeting between you and representatives of some of the major financial institutions in the State. It would be highly desirable if such interchanges of ideas should continue into the future.

On a general basis, we feel that the following represents some major economic realities in South Central Alaska:

1. There is an imbalance between supply and demand in the real estate area. This is largely caused by a gross oversupply of properties, particularly strip malls, condominiums and lots.
2. The real estate segment is the most adversely affected part of our economy.
3. Our economy suffers from too much debt. This debt load needs to be worked down and, in some instances, renegotiated. It appears that additional debt would be, in general, counterproductive.
4. The mobile home program is a disaster and needs drastic solutions.
5. There is a general feeling of uncertainty in the marketplace which is causing customers and businesses to defer spending decisions.
6. There is a continuing tragic loss of good, highly qualified people from Alaska.

Senator Faiks,
Senator Halford,
Senator Sturgulewski
Page 2

7. A stable banking environment (including State agencies) is necessary for an economic resurgence.
8. The present stituation will not allow a "quick-fix". Any such proposed solution should be judged very critically.
9. The banking industry unanimously expressed the opinion that they have an excellent working relationship with SBA. It would seem logical, therefore, that the SBA--banking relationship should be examined as a role model for a State agency - bank relationship.
10. The Alaska economy is uneven - some geographic areas are doing well (Kodiak, Ketchikan, etc.) while some are doing poorly (Wasilla, Anchorage, Kenai Peninsula). Specifically, there are actions that can be taken which we feel would be helpful.
 - A. The State should not fund new building projects into areas of oversupply. Instead, it should look at buying some of that oversupply (at prices much below the cost of new construction) for such items as UAA dorms, ASHA low-income housing, etc.
 - B. The legislature should alter or repeal the sections of the law setting a delinquency rate cap for individual banks. As it is presently enacted, if a bank exceeds that cap for that program, it is forbidden from participating further in the program. I understand AIDEA will be proposing a bill to rectify this.
 - C. AIDEA should consider doing loans based on a guarantee (as does SBA) rather than direct funding. That guaranteed portion could then be sold to the Permanent Fund. The advantages of this approach are several:
 - (1) The expensive bond underwriting costs are avoided.
 - (2) Restrictive conditions that can be imposed by bond underwriters are avoided.
 - (3) The Permanent Fund could acquire a large pool of Alaskan, good-yield, almost no-risk loans. By having these loans guaranteed by AIDEA, the Permanent Fund's prudent man rule would be met.

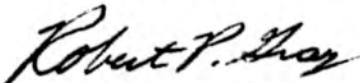
Senator Faiks
Senator Halford
Senator Sturgulewski
Page 3

- D. A change in composition of the AHFC and AIDEA boards toward more public representation would be helpful.
- E. More cooperation and/or latitude is necessary in negotiating troubled commercial real estate loans with AIDEA. The comments by Mr. Cox were illustrative of tactics that could be useful.
- F. The staffing needs of AHFC and AIDEA should be analyzed. Not only may they need more staff, they may need staff with different types of qualifications than the present staff have. In particular, AIDEA may need work-out specialists. AHFC probably is in need of operations/systems people.
- G. The only solution I can see on mobile homes that would work is to move the homes from the glutted areas. If mobile homes were sold at very low prices, those customers that are presently paying on their homes may react precipitously.

In summary, most of the elements for the financial community are in place. However, the working relationships between the State agencies and the banks need to be improved if the customers are to receive efficient, timely and proper treatment. An AIDEA guarantee program seems to have merit. It could be used, for example, for a change of ownership in an existing property.

I hope these comments are of benefit.

Sincerely,



Robert P. Gray
President

RPG:s1



National Bank of Alaska

December 24, 1987

Corporate Headquarters: P.O. Box 100600 • Anchorage, Alaska 99510-0600 • (907) 276-1132

Senator Jan Faiks
Alaska State Legislature
3111 C Street, Suite 525
Anchorage, AK 99503

Re: AIDEA Guaranteed Loan Program

Dear Senator Faiks:

I was requested to provide a model of a guaranteed loan program that could be utilized by AIDEA. I am enclosing a copy of an outline provided by the Bureau of Indian Affairs for their guaranteed loan program which I believe covers most of the bases. Of course the name of the agency would have to be changed as would the eligibility requirements of the borrowers. I would recommend that such a guaranteed loan program not allow for a guarantee exceeding 20 years. I would also suggest that the maximum interest rates on loans with guarantees in excess of 80% be limited to prime + 1 1/2%. On those loans with guarantees of 80% or lower the maximum interest rate should be limited to prime + 2 3/4%. The SBA and BIA limit the maximum interest rate to prime + 2 3/4% either floating or fixed.

I would also recommend consideration of the subsidy feature as outlined in paragraph ten of the BIA document on loans that are currently financed through state loans programs when refinanced with a guaranteed loan. This subsidy should be allowed in cases where it is proven that the project cannot carry the interest rate with the existing state agency, that the project will not support a market interest rate such as prime + 1 1/2% under a refinance program, and the state agency and participating bank would face an economic loss if they foreclosed on the property. Such an interest subsidy, I believe, should be limited to 3% and only for the length of time that the property demonstrates a need for the subsidy.

The loans should be allowed to be used by participating institutions as security for deposits and assignment by the banks for liquidity purposes. This could hopefully assist our weak banking system. You might also consider an annual legislative review of the amount of guarantees issued by the authority. For instance, allow AIDEA to guarantee up to \$200 million in loans in the first year and every year thereafter establish a quota.

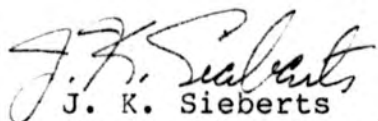
You were concerned about the banking community's support of such a program. Virtually every bank in the state that we have contacted, large and small, except for one, showed an interest in such a program. The other bank indicated that the state should get out of all lending activities.

Senator Jan Faiks
December 24, 1987
Page Two

NBA has participated in government guaranteed programs through SBA, Farmers Home Administration, business and industrial loan programs, the Bureau of Indian Affairs Guaranteed Loan Program and various home guaranteed loan programs. We have had good success in the operation of these guarantees. A guaranteed loan program allows the bank to structure loans around the needs of the consumer rather than in the current case of AIDEA's bond programs which has structured the loans to the needs of the bond underwriters. This has been very costly to the consumers and has provided restrictions that have caused substantial problems to consumers who relied on the expertise of this state authority to provide them with a program that would be reasonable to deal with.

We would also recommend AIDEA's consideration of the use of an equity participation program for problem work-out loans to reduce debt service to the consumer. Alternatively, a more flexible policy in reducing interest rates should be considered. If I can provide you with any additional advice in this regard, feel free to call upon me.

Sincerely yours,



J. K. Sieberts
Senior Vice President

js

cc: Rick Halford

FINANCIAL ASSISTANCE
Guaranteed Loans
GENERAL INFORMATION

Note: 25 CFR means Code of Federal Regulations, Title 25 (Indians)

1. **Purpose.** This supplement sets forth the types of loans eligible for guarantee pursuant to Title II of the Indian Financing Act of April 12, 1974 (88 Stat. 77, 25 U.S.C. 1461 et. seq.), and the Federal Regulations applicable thereto, 25 CFR 103, and the procedures for processing, approving and servicing such loans. The Act provides for guaranteeing up to 90% of a loan made by eligible lenders to Indians and Indian organizations. In addition the Act provides for paying an interest subsidy on such loans to reduce the rate of interest paid by the borrower to the cost of borrowing from the United States. The guaranty is subject to payment of a premium by the lender to the Bureau of Indian Affairs.
2. **Responsibility.** The full faith and credit of the United States Government, acting through the Commissioner of Indian Affairs, is responsible for all obligations entered into herein. Accordingly, Bureau employees have a responsibility to carefully review and analyze applications and supporting documents to assure compliance with the regulations and recommend or approve loans that indicate applicants have a reasonable prospect for repayment, based upon sound customary lending criteria. The Indian applicant has a responsibility and obligation to repay the amount borrowed, and the lender assumes the responsibility of servicing the loan adequately and effectively, exerting every reasonable means in default cases to assist the borrower against loss of his home, farm, or business. The Bureau of Indian Affairs, on behalf of the United States, must require that all parties fully discharge these responsibilities.
3. **Eligible Lender (25 CFR 103.9).** Those financial institutions subject to examination and supervision by an Agency of the United States, a State or the District of Columbia, having the capacity to evaluate, process, disburse and service loans and Indian tribes making loans from their own funds to other tribes or organization of Indians are eligible to have loans insured under these regulations. Loans may be guaranteed for any lender regularly engaged in making loans, having the capacity to accept and process applications and service loans, and who is satisfactory to the Commissioner.
4. **Eligible Organizations (25 CFR 103.7).** Loans to tribes and Indian organizations having a form of organization satisfactory to the Commissioner and recognized by the Federal Government as eligible for services from the Bureau of Indian Affairs are eligible to be guaranteed when there is reasonable assurance of repayment of the loan.
Cooperative associations, corporations and partnerships shall be organized pursuant to state, Federal or tribal law. Cooperative associations, corporations and partnerships applying for a guaranteed loan to purchase, establish or operate an economic enterprise on a reservation must comply with the requirements of applicable rules, resolutions or ordinances enacted by the governing body of the tribe.
5. **Eligible Individuals (25 CFR 103.8).** Only Indians who are members of tribes recognized by the Federal Government as eligible for services from the Bureau of Indian Affairs are eligible for guaranteed loans. Individuals applying for a guaranteed loan to purchase, establish or operate an economic enterprise on a

G. Non-Taxable Interest Income. Loans may not be guaranteed where the interest income from the loans is not taxable income under Chapter 1 of the Internal Revenue Code of 1954, as amended.

H. Term Restrictions Loans with repayment terms exceeding 30 years may not be guaranteed.

I. Educational Loans. Loans for educational purposes are not eligible under the Guarantee Program.

8. Amount of Guaranty (25 CFR 103.13). The percentage of a loan to be guaranteed shall be the minimum necessary to obtain financing for an applicant, but may not exceed 90% of the unpaid principal and interest.

A. The liability under the guarantee shall increase or decrease with any increase or decrease in the unpaid principal of the obligation. Loans to individual Indians may not be guaranteed where the principal amount exceeds \$350,000. Loans to individuals may not be guaranteed where the principal amount is less than \$2,500 or where repayment terms are less than one year. An exception to these limits on time and amounts may be approved by the Commissioner.

B. Applications of minors as determined by applicable state and Federal laws, may not be approved unless the natural parents or legal guardians, with reputations of being responsible individuals, co-sign the promissory note(s) and securing documents.

C. Not more than one guaranteed loan may be in effect with the same borrower at any time without prior approval of the Commissioner.

9. Interest (25 CFR 103.41). Interest rates charged by lenders on guaranteed loans, exclusive of loan service charges, if any, shall not exceed such percent per annum on the principal obligation outstanding as the Commissioner determines to be reasonable and legal at the time a loan is guaranteed, taking into account the rates prevailing in the private market for similar loans and the risks assumed by the United States. Each loan shall show the rate of interest to be charged. Interest shall be payable at least annually. Once a loan is closed, the interest rate may not be increased even though the lender increases the rate on new loans. Lenders may not charge interest on loan funds used for payment of loan service charges.

10. Interest Subsidy (25 CFR 103.42). The Commissioner will pay an interest subsidy to lenders on loans which are guaranteed under 25 CFR 103 at rates which are necessary to reduce the interest rate payable by the borrowers to a rate determined in accordance with Title I, Section 104, of the Indian Financing Act of 1974 (P.L. 93-262, 88 Stat. 77).

A. The rate of interest subsidy will be established by the Commissioner at the time of issuance of a guaranty certificate on loans requiring approval by the Commissioner, or at the time of approval of Form 5-4755, Request for Loan Guaranty and Approval. Interest subsidies paid to lenders by the United States on behalf of borrowers shall continue to be paid over the remaining life of the original term of a loan even if the lender elects to discontinue the guaranty or otherwise causes the termination of the guaranty by failure to make guaranty payments as required in #103.43. Interest subsidy payments by the United States shall be discontinued on such loans when one of the following occurs.

B. The initial premium on guaranteed loans shall be remitted, payable to the Bureau of Indian Affairs, to the Superintendent of the local Agency within 10 days of the advance of loan funds to the borrower. The premium shall be for the six months or portion of six months in which the loan is made. Thereafter, premiums will be paid as of June 30 and December 31 on the principal balance outstanding at the end of each semi-annual period. The guaranty or a new loan, or of additional advances on existing loans, will not be effective until the Commissioner receives the premium due.

The guarantee of a loan shall cease to be effective if the premium is not remitted within 30 days of the close of the semi-annual period.

13. Loan Servicing (25CFR 103.46). The guaranty of a loan by the Commissioner will be based on the requirement that adequate loan servicing will be performed by the lender. Loan servicing will be without cost to the borrower, unless the Commissioner authorizes a charge at the time the loan is made pursuant to #103.44. Authorizations for such charges shall be in writing and included in the loan agreement. Lenders are expected to follow accepted standards employed by prudent lenders in the area in servicing similar type loans. In servicing loans lenders will make every effort to prevent and minimize potential losses. Lenders will use prudence in disbursing loan funds to borrowers to assure, to the extent feasible, that loan funds are used only for the purposes for which the loan is made. Unless approved by the Commissioner, any amounts disbursed for purposes other than those provided in the loan agreement shall be excluded in computing the amount for which the lender may be reimbursed in the event of a loss on a loan.
14. Modification of Loan Agreements (25 CFR 103.21). Guaranteed loans may be modified with the approval of the parties of the original loan agreement. The Commissioner's approval is required to modify guaranteed loans which required the Commissioner's approval only if the modification repayment (1) changes the repayment schedule, (2) changes the prime security, (3) changes the interest rate, (4) changes the use of loans funds, (5) increases the principal amount of a loan, except as provided on #103.22, (6) changes to the plan of operation, (7) amendment or changes in the organization papers of the borrower, (8) changes in partnership agreements, or (9) changes the location of an enterprise.
15. Sale or Assignment of Guaranteed Loans (25 CFR 103.51). Lenders may sell or assign a guaranteed loan, including the security and guaranty certificate, to any other financial institution that is subject to examination and supervision by an agency of the United States, a state or the District of Columbia. The institution acquiring the loan shall notify the Commissioner to writing within 30 days after acquisition. Form 5-4758, Notice of Acquisition of Loan, furnishes the required information and when furnished to the Superintendent of the Agency Office servicing the guaranteed loan shall constitute written notice to the Commissioner. Failure of the acquiring lender to furnish such notice within the 30 day period will void the guaranty unless the Commissioner authorizes an exception because of extenuating circumstances.

Lenders should submit the original and two copies of Form 5-4758 to the Agency Superintendent who is assigned responsibility for recordkeeping and servicing of the loan. The Superintendent will immediately acknowledge receipt on the bottom of the form and return a copy to the acquiring lender. The Superintendent will retain one copy for his records and submit the original, through the Area Director, to the Central Office, Division of Financial Assistance.

Handled out
 @ 1/29/88 mty
 Dave Rowe

EQUITY CAPITAL
 As of 9/30/87

	9/30/87	6/30/87	3/31/87	12/31/86	9/30/86	6/30/86
Alaska Continental	1,652,000.00	2,971,000.00	2,980,000.00	3,035,000.00	3,830,000.00	4,595,000.00
Alaska Mutual	(109,529,000.00)	(103,545,000.00)	(2,847,000.00)	6,562,000.00	38,996,000.00	48,098,000.00
Alaska Nat. Bank of the North	(5,854,000.00)	3,456,000.00	8,109,000.00	10,285,000.00	15,044,000.00	16,060,000.00
Alaska Pacific Bank	24,643,000.00	23,958,000.00	23,329,000.00	23,226,000.00	22,458,000.00	21,639,000.00
Alaska Statebank	11,520,000.00	13,432,000.00	15,433,000.00	16,825,000.00	17,467,000.00	17,573,000.00
B. M. Behrends	3,903,000.00	3,905,000.00	4,011,000.00	3,883,000.00	3,975,000.00	4,940,000.00
Denali Statebank	4,728,000.00	4,648,000.00	4,591,000.00	4,620,000.00	4,605,000.00	4,795,000.00
First Bank	12,946,000.00	12,666,000.00	12,558,000.00	12,095,000.00	11,836,000.00	11,274,000.00
First Fed. Bank of Alaska	10,631,000.00	12,162,000.00	15,205,000.00	15,778,000.00	17,166,000.00	17,128,000.00
First Int. Bank of Alaska	2,780,000.00	5,330,000.00	14,325,000.00	18,138,000.00	30,138,000.00	35,227,000.00
1st Nat. Bank of Anchorage	138,957,000.00	136,097,000.00	133,615,000.00	131,256,000.00	130,467,000.00	127,474,000.00
1st Nat. Bank of Fairbanks	21,121,000.00	20,333,000.00	15,707,000.00	15,596,000.00	15,419,000.00	15,051,000.00
Mt. McKinley Mutual Banks	8,172,000.00	8,022,000.00	7,852,000.00	7,680,000.00	7,511,000.00	7,350,000.00
National Bank of Alaska	153,169,000.00	148,450,000.00	153,311,000.00	150,801,000.00	147,378,000.00	142,902,000.00
Rainier Bank Alaska	12,252,000.00	12,061,000.00	12,400,000.00	12,380,000.00	12,270,000.00	12,213,000.00
United Bank of Alaska	(86,413,000.00)	(81,431,000.00)	(3,985,000.00)	6,479,000.00	21,523,000.00	27,044,000.00
United Bank Alaska S.E.	2,799,000.00	3,107,000.00	3,376,000.00	4,213,000.00	5,102,000.00	5,610,000.00
	<u>\$207,477,000.00</u>	<u>\$225,622,000.00</u>	<u>\$419,970,000.00</u>	<u>\$442,852,000.00</u>	<u>\$505,185,000.00</u>	<u>\$518,973,000.00</u>

(-) 300 MM

MISCELLANEOUS INFORMATION

FILE 1

(+ INDEX TO
THIS FILE)

JOINT COMMITTEE ON ECONOMIC RECOVERY
INFORMATION INDEX

Senate Bills:

- SB 333 - An Act relating to wage, salary, and benefit claims having priority in certain bank liquidations and to certain bank reports required by the Department of Commerce and Economic Development; - Sen. Halford (House Labor & Commerce Committee)
- SB 392 - An Act relating to delinquent loans of Alaska Industrial Development and Export Authority; - Sen. Halford (Senate Finance)
- SB 408 - An Act relating to Alaska stabilization assistance program; - Sen. Kelly and Sturgulewski (S. Fin.)
...Memorandum - Sen. Kelly to All Senators 2/9/88
- Sen. Kelly to Tam Cook 2/9/88
...Letter - Anthony J. Gumbiner to David Rose 2/18/88
...Text - A Conceptual Plan for an Alaska Stabilization Assistance Program - David Rose.
...Memorandum - Dave to Jan 1/29/88
...Article - Anch Daily News - "Value of Mat-Su Property plunges 15 to 20 percent" - 2/8/88
...Text - Proposal for the Establishment of the Hallwood Alaskan Real Estate Stabilization Trust.
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...Text - FINANCIAL ASSISTANCE, Guaranteed Loans General Information
...Letter - Robert P. Gray to Sen. Faiks, Halford and Sturgulewski 12/21/87
...Letter - J.K. Sieberts to Sen Faiks 12/12/87
- SB 474 - An Act increasing property exemptions. - Sen. Halford (S. Fin)
- SB 476 - An Act creating the supplemental assistance fund for Railbelt Communities;.... - Sen. Halford (S. Fin)
- SB 477 - An Act making a special appropriation to the Department of Community and regional Affairs for supplemental

36992

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

MISCELLANEOUS INFORMATION

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THIS FILE)

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municipal assistance to Railbelt communities; -
Sen. Halford (S. Fin)

SCR 32 - Urging the state's financial institutions to adopt more flexible lending and collection policies. - Sen. Fischer (H. L&C)

House: Housing and Banking Subcommittee Pending Legislation

HB 402 - An Act relating to the Alaska Industrial Development and Export Authority; Rules Committee/Governor

HB 429 - An Act relating to an optional exemption from municipal taxation - L & C Committee

HB 430 - An Act relating to the neighborhood business development program; - L & C Committee

HB 431 - An Act making an appropriation to the neighborhood business development fund; - L & C Committee

HB 432 - An Act authorizing the Alaska Housing Finance Corporation to accept trades in certain cases; - Rep. Donley

HB 433 - An Act establishing a moratorium on judicial and nonjudicial foreclosures; - L & C Committee

HB 434 - An Act relating to municipal development and redevelopment - Rep. Menard

HB 457 - An Act relating to the Alaska stabilization assistance program; - Rep. Pettyjohn

HB 458 - An Act making a special appropriation to the Alaska stabilization assistance fund; - Rep. Pettyjohn

Proposed Bills:

An Act providing interim payment reductions of the monthly mortgage payments payable by certain mortgagors on mortgage loans purchased by the Alaska Housing Finance Corporation; - Sen. Halford

An Act providing a temporary reduction of the rate of interest payable by mortgagors on mortgage loans purchased by the Alaska Housing Finance Corporation; - Sen. Faiks

An Act establishing a moratorium on judicial and nonjudicial foreclosures; - Sen. Halford

Urging state agencies that make loans to withhold approval of loans for new construction in areas in which availability of

business and commercial facilities and residences substantially exceeds demand. - Sen. Faiks

Relating to opportunities offered by the present crisis in residential housing. - Sen. Faiks

Relating to the Alaska Industrial Development and Export Authority. - Sen. Faiks

FDIC Information:

Letter - Senators Jones and Sturgulewski and Representative Gruenberg to Lamar Kelly, FDIC 2/5/88

Article - Anchorage Daily News 2/20/88 - Real Estate Bailout? No way witnesses say.

Summary of Anchorage Economic Development Corporation proposal for purchase and management of FDIC assets - Robert B. Flint

A Development Venture Company: An Appropriate Financial Institution for Alaska - Peter McDowell.

Article - Anchorage Times 1/28/88 - Sealaska Eyes FDIC Properties.

Alaska Investment Bank & Trust: A Real Estate Holding Company for the People of Alaska - John M. Bashaw 2/15/88.

Reports and Letters:

Municipality of Anchorage Economic Recovery Program - Mayor Tom Fink.

Economic Recovery Task Force - Anchorage Chamber of Commerce.

Article - Anchorage Daily News - It's time to take economic action - Scott Hawkins.

Article - Seattle Times 2/7/88 - Agency set up to sell assets seeks bailout.

Can State Spending Speed Alaska's Economic Recovery? - ISER

Letter - David L.T. Knudson to Senators Sturgulewski, Faiks, Halford, and Kelly 2/11/88.

Letter - Joseph E. Heintz, Peat Marwick Main & Co. to Governor Cowper 1/8/88.

The Recession, the Real Estate Crash and Alaska's Economic Prospects - Gregg Erickson, OMB

Options to Improve the Alaskan Economy - David A. Rose, PFDC

Memorandum - Commissioner Hugh Malone to Representative Gruenberg
2/19/99.

Memorandum - Alfred G. Zangri, Economist, Dept. of Revenue to
Milt Barker, Dpty Commissioner Dept. of Revenue 2/12/88.

Fact Sheet: The Southwest Plan - FSLIC 2/5/88

Commonwealth North Report

Fortune Properties Market News Vol 4, Issue 1, 1988 - Connie
Yoshimura.

Letter - Norman Rokeberg - Economic Recovery: Commercial Real
Estate.

Original sponsors: Halford, Kelly,
Uehling, et al.

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 333 (L&C)(efd add)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to wage, salary, and benefit claims
7 having priority in certain bank liquidations and to
8 certain bank reports required by the Department of
9 Commerce and Economic Development; and providing for
10 an effective date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. AS 06.05.045(a) is amended to read:

13 (a) Each [EVERY] state bank shall make at least four reports of
14 condition each year to the department on days designated by it, and on
15 forms prescribed by it. The report shall be verified by an oath of
16 the president, vice president, or cashier and by at least three direc-
17 tors, certifying and subscribing under oath that they and each of them
18 have personal knowledge of the facts stated in the report and that the
19 facts are true. The reports shall exhibit in detail and under appro-
20 priate heads the resources and liabilities of the bank, and each
21 report shall be transmitted or mailed to the department no later than
22 30 [WITHIN 10] days after the date designated for the report [OF THE
23 RECEIPT OF THE REQUEST FROM THE DEPARTMENT].

24 * Sec. 2. AS 06.05.470(t) is amended to read:

25 (t) The following claims have priority in liquidation proceed-
26 ings, in the order listed:

27 (1) obligations incurred by the department;

28 (2) wages, [AND] salaries, and benefits of officers and
29 employees earned during the 12-month [THREE-MONTH] period preceding

1 the department's possession in an amount not exceeding \$12,000
2 [\$3,000] for each person;

3 (3) fees and assessments due to the department;

4 (4) deposits.

5 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Halford, Faiks,
Kelly, et al.

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 392 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Alaska Industrial Development
and Export Authority; and providing for an effective
date."

8

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. AS 44.88.165 is repealed and reenacted to read:

11

Sec. 44.88.165. DELINQUENT LOANS. (a) The authority shall

12

adopt regulations to describe the circumstances under which it will

13

discontinue purchasing loans from a financial institution because of

14

excessive delinquencies among the loans previously purchased from the

15

financial institution. In adopting the regulations, the authority

16

shall take into consideration its delinquency experience with loans it

17

has purchased from all financial institutions.

18

(b) The authority may include in the regulations other remedies

19

it considers appropriate as alternatives to the discontinuance of

20

purchasing loans from the financial institution.

21

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB 392 (Rules)
PUBLISH DATE: 2-29-1988
(SENATE)

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to the AIDEA

Agency Affected: AIDEA
BRU: Same as above

Sponsor: Halford, Faiks, Kelly, et al.
Requester: Senate Rules

Components: Same as above

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Passage of this legislation will have no fiscal impact upon the Authority's budget.

Prepared by: Bertram L. Wagnon, Executive Director Phone: 274-1651
Division: AK Industrial Dev. and Export Authority (AIDEA) Date: February 26, 1988

Approved by Commissioner: J. Anthony Smith *Kathy Newell* Date: 2/25/88
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

0691D-9/022688a

BY HALFORD, FAIKS, KELLY,
STURGULEWSKI, HENSLEY, ABOOD,
FISCHER, JONES, JOSEPHSON AND
UEHLING

1 IN THE SENATE

2

SENATE BILL NO. 392

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to delinquent loans of the Alaska
7 Industrial Development and Export Authority; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.88.165 is repealed and reenacted to read:

11 Sec. 44.88.165. DELINQUENT LOANS. (a) The authority shall
12 adopt regulations to describe the circumstances under which it will
13 discontinue purchasing loans from a financial institution because of
14 excessive delinquencies among the loans previously purchased from the
15 financial institution. In adopting the regulations, the authority
16 shall take into consideration its delinquency experience with loans it
17 has purchased from all financial institutions.

18 (b) The authority may include in the regulations other remedies
19 it considers appropriate as alternatives to the discontinuance of
20 purchasing loans from the financial institution.

21 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE SENATE

BY KELLY AND STURGULEWSKI

2

SENATE BILL NO. 408

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the Alaska stabilization assis-
7 tance program; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. ALASKA STABILIZATION ASSISTANCE PROGRAM. (a) The purpose
10 of the Alaska stabilization assistance program is to promote the stabi-
11 lization of real property values in the state.

12 (b) The Alaska stabilization assistance fund is established in the
13 Alaska Industrial Development and Export Authority. The authority may use
14 money appropriated to the fund to carry out the purposes of this section.
15 An appropriation to the Alaska stabilization assistance fund lapses to the
16 fund from which it was appropriated July 1, 1992, unless specified other-
17 wise in the appropriation act. Other receipts shall be separately
18 accounted for and deposited into the general fund. Each year the authority
19 shall notify the legislature of the amount of these receipts and the legis-
20 lature may appropriate that amount into the Railbelt energy fund
21 established under AS 37.05.153.

22 (c) To encourage lenders not to attempt to dispose of real property
23 in the state that has been foreclosed upon or otherwise acquired through
24 actions taken on defaulted loans until the real estate market in the state
25 becomes more stable, the authority may enter into contracts to provide for
26 the management of the property. However, the authority may provide for the
27 management of property only through June 30, 1992.

28 * Sec. 2. This Act is repealed July 1, 1992.

29 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).